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Georgia State University
a unit of the university system of georgia

university plaza
atlanta, georgia 30303-3083

college of business administration
economic forecasting center
404/658-3282

MONTHLY PROJECTIONS
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Dr. Donald Ratajczak, Director
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FOREIGN TRADE NOT YET CONTRIBUTING TO ECONOMIC GROWTH

Since February 27, 1985, the trade-weighted value of the dollar has fallen by nearly 35%. However, there is scant evidence that prices of imported goods have changed to reflect these currency differences. Automobile import prices are up 7.4% over the past year, but the prices of consumer nondurable goods are up only 3%. More importantly, industrial materials excluding petroleum actually show a 4% decline in import prices. Apparently, importers are protecting their market shares by accepting significant reductions in their profit margins. Also, the trade-weighted currency index may overstate the dollar's decline as a result of an increase in the percentage of imported goods that is evaluated more closely to dollar movements.

A failure to dislodge imports is not the only problem facing the American economy. Exports also are not showing any dramatic rebound. The problem associated with exports is the failure of other industrialized countries to maintain vigorous growth. Both Germany and Japan continue to have export driven economies despite the enormous surpluses both countries are generating on their trade accounts. Unfortunately, the falling dollar has marginally reduced import competitiveness into the United States while a continuation of large American trade deficits continue to restrain economic growth here. In addition, the collapse in petroleum prices has eliminated the Middle East as an attractive target for German exports. Thus, both Japan and Germany experienced economic contraction in their first quarters. Growth is expected to resume in both countries and both countries may generate 3% real growth when the year's results are tallied, but world trade probably will be slowing to only a 3% real rate of growth in 1986 and in 1987. Without policies to stimulate domestic economies throughout the industrialized world, world growth could slow to less than 3% in 1987.

This slowing in world growth and the failure of the dollar's decline to translate into reduced import penetration has resulted in a downward revision in U. S. economic growth for the next year. Of course, the dollar's decline also has not been converted into as much inflation as previously anticipated. Therefore, inflationary pressures also have been scaled downward in our projections for the next year.

Adding to reduced inflation is more substantial production of oil by OPEC than originally anticipated. In concluding that crude petroleum prices would stabilize near $15 per barrel in 1986, we presumed that OPEC production would remain below 18 million barrels per day. In fact, Middle East reports suggest that June production was 19.5 million barrels and early reports for July indicate that Saudi Arabia will be raising its production to more than five million barrels per day. This suggests that OPEC production could approach 20 million barrels per day during the summer months. As a result of this increased production, the equilibrium price for petroleum may only be slightly more than $12 per barrel. This projection helps the dollar value of trade deficits, but does very little to alter the physical volume of trade flows. This downward revision in oil prices also leads to lower projections for inflationary pressures than previously anticipated. (However, a surge in construction costs early in 1986 is more than offsetting increased benefits from lower oil prices as measured by the GNP deflator.) Downward revisions in oil prices also will lead to greater real consumer spending than originally projected. Of course, it will also lead to greater disruptions in the oil patch and probably will prevent any rebound in shipments and orders of nondefense capital goods. On the whole, however, a downward revision in oil prices is favorable for economic conditions in the United States.

Nevertheless, relatively sluggish economic gains ahead remain likely. Of greatest concern at the present time, aside from continuing trade problems, is the adverse impact upon 1987 activity from tax reform proposals. The tax reform package will severely curtail the near-term attractiveness of real estate investments. Until those investments replace tax advantages with increased rental incomes, the desire to add to real estate inventory will be sharply curtailed. However, improved rental rates will be impossible until vacancy rates have been significantly reduced. As a result, construction is expected to fall continuously through the second half of 1986 and well into 1987. Weakness is expected to be most pronounced for nonresidential construction, but significant weakness in multi-family units also should develop.

In addition to the tax reform-induced weakness in construction, the increased tax burdens on earnings from some capital probably will forestall any significant rebound in capital spending. Although a modest growth in orders for capital goods and for shipments is anticipated during the second half of 1986, orders and shipments once again should be trending downward in 1987.

Several commentators have maintained that savings could suffer and consumption would be benefitted because of the shift in tax burdens from households to the corporate sector. Certainly, changes in investment tax credits and less generous depreciation guidelines will have an adverse effect upon capital spending. However, a significant portion of the increased corporate tax burden is derived by a more sweeping minimum tax on the corporate sector. Most economic studies suggest that capital will not pay the increased corporate taxes other than those directly effecting the tax treatment of capital purchases. Rather, workers and customers probably will pay those taxes. Because workers also will be receiving lower marginal tax rates, they are most likely to shoulder most of the increased corporate tax burdens. (This means that the wage recipients probably will receive lower wage increases than would have occurred in the absence of tax changes.) Thus, before-tax wages should slow relative to GNP expansion and the household sector should receive about the same after-tax purchasing power as before the tax changes. Similarly, the increased tax burdens on corporations should be offset by reduced labor cost burdens leading to

no appreciable change in the corporate cost structure. Thus, claims that tax reform would add to inflation and increase consumer activity do not appear to be warranted by longstanding analysis on the incidence of corporate taxes.

On the other hand, changes in the investment tax credit certainly alters the timing of capital accumulation. This explains why capital spending is not expected to appreciate in 1987. Also, the timing of tax changes leads to a tax increase in 1987 followed by tax reductions in 1988 and 1989. To a great extent, these tax shifts should merely alter the savings behavior of the household sector as they contemplate reduced tax burdens ahead. However, some households probably are suffering from a liquidity constraint and, therefore, will curtail spending when their 1987 increased tax burdens become due early in 1988.

Although tax reform generates transitional problems that will cause a 2-4 year construction lull, a temporary slowing in capital accumulation, and even some hesitancy in consumer spending, the longer-term aspects of the tax reform program are favorable.

First, while the tax treatment of capital earnings is increased, the tax treatment of earnings generated by labor is reduced. Labor intensive industries will benefit from these tax changes while most of the suffering in the capital sector will be borne by those who accepted underutilization of capital because substantial tax benefits were being derived. Therefore, incentives provided to labor should more than offset any disincentives created by the tighter tax treatment of capital. Long-term economic growth should benefit.

Second, reduced spending for underutilized capital should combine with increased savings incentives in the household sector, because the after-tax returns on marginal savings should be substantially increased, to reduce interest rates. While total capital accumulation will grow more slowly, productive capital will be encouraged by relatively lower interest rates.

Despite longer-term favorable consequences from tax changes, one other transitional problem encompassed in the tax proposal is the change in the capital gains provision in the Senate version from 20% to 27%. While the elimination of a capital gains definition greatly simplifies tax codification, many investors with previously accumulated capital appreciation may choose to sell their holdings in 196, before the tax change on capital gains is implemented. When this is combined with the initial economy-slowing effects of the tax reform transition, a significant decline in stock market values appears to be likely before the end of this year.

Quarterly Profile of GNP

	1986-1	1986-2	1986-3	1986-4	1987-1	1987-2	1986 Annual
Real:	2.9	0.7	2.7	3.0	1.9	1.4	2.0
Price:	2.9	1.3	2.9	3.5	4.3	4.2	2.7
Nominal:	5.7	2.1	5.7	6.6	6.3	5.5	4.7

Monthly Statistical Highlights for June 1986

Personal income 0.0%; savings rate 3.7%; personal consumption +0:5%; retail sales +0.4%; housing starts -2.3%; housing permits -2.2%; construction expenditures -0.1%; business inventories -0.3%; orders for durable goods -0.2%; orders for nondefense capital goods +1.4%; industrial production -0.2%; CPI +0.4%; consumption deflator +0.3%; leading indicators -0.1%; real GNP +1.7%; M1 +15.0%; M2 +9.6%.

Monthly Statistical Highlights for July 1986

Payroll employment +368,000; index of hours worked +0.4%; household employment +171,000; civilian unemployment rate 7.1%; personal income +0.6%; savings rate 3.6%; personal consumption +0.7%; retail sales +0.5%; auto sales 11.1 million; housing starts -1.9%; housing permits -1.3%; construction expenditures -0.5%; business inventories +0.1%; orders for durable goods +1.0%; orders for nondefense capital goods +0.6%; industrial production +0.2%; CPI +0.2%; PPI -0.1%; consumption deflator +0.2%; leading indicators -0.3%; real GNP +3.0%; M1 +11.4%; M2 +7.3%.

COMMENTARY

Employment - A significant downward revision in the index of hours worked explains the discrepancy that developed during the first quarter between productivity measures and the previously announced employment statistics. Payroll employment also was revised downward modestly. In general, the payroll report for June shows weakness, although several factors significantly diminished the significance of the report. First, a strike by AT&T workers caused a 170,000 reduction in payroll employment during June. Second, the survey arrived unusually early in the month, causing less than a complete month between surveys. In July, the survey will be the latest it possibly can be, leading to a greater-than-normal gap between survey periods. Third, seasonals are notoriously volatile in June, especially when the survey period deviates from mid month. These distortions are the major reasons why a significant rebound is expected both in the index of hours worked and in payroll employment during July.

Nevertheless, the employment situation was relatively weak, with manufacturing activity showing a modest decline even after the AT&T manufacturing facilities are taken out of the statistics. Certainly, only 44% of manufacturing industries registering job increases cannot be explained by strike activity. On the other hand, a surge in the hourly earnings index probably is the result of distortions that strike activity normally creates in that measure.

Personal Income & Outlays - Substantial farm subsidies continued to aid personal income in May, although the subsidies were sharply reduced from April. In June, farm subsidies should be sharply curtailed, leading to another relatively flat

report for personal income. Wage income should rise more significantly than in May even after strike activity removes some wages.

Strong auto sales were largely responsible for the sharp rebound in durable purchases during May. Auto sales remained strong, although they weakened slightly in June. On the other hand, price increases for gasoline should be reflected in more significant gains for nondurables until oil prices once again soften in August.

Construction - Favorable weather apparently increased public construction activity in May. More favorable treatment of tax exempt bonds by the Senate version of tax reform also may have encouraged some municipalities to once again finance public projects. The $3.9 billion rebound in public construction activity during May should not be sustained in the next two months. Similarly, the collapse in nonresidential construction appears to be sharper than even relatively unfavorable economic conditions justify. Although some declines have occurred in office buildings, the weakness has also been in industrial construction, where excess product is not a factor.

Weakness in rental property apparently reflects concern about the impact that tax changes will have upon that market. These concerns appear to be justified and should lead to significant declines in rental starts in the months ahead. Single-family activity apparently is stalled by bottlenecks created by refinancing activity during the spring. These bottlenecks slowly are being resolved and should lead to a continuation of relatively robust single-family activity through the remainder of this year.

While construction was booming early in the year, construction costs began to accelerate. Cost increases in April and May were especially dramatic. More modest price increases are expected in the months ahead. Nevertheless, the construction component of the GNP deflator should be adding inflationary pressures for the remainder of this year.

Business Activity - Manufacturers continued to sharply liquidate inventories in May, when their inventories fell 0.3%. Inventory liquidations are expected to continue into July followed by some inventory rebuilding. Although manufacturers have constrained their inventories, retailers have had more difficulty controlling their stockpiles. The major culprit is the auto industry, which significantly added to inventories during April. However, a return of relatively brisk sales along with some moderation in production is beginning to diminish those retail inventories.

Aircraft shipments have dramatically distorted shipments of manufactured goods in recent months. Also, price changes for petroleum products have presented the appearance of greater weakness in manufacturing shipments than actually occurred. Nevertheless, shipments of nondefense capital goods have remained sluggish. A modest rebound is anticipated in the months ahead, but relatively low capacity utilization should forestall any significant rebound in capital goods activity.

Prices - Overproduction by OPEC has necessitated a more substantial downward revision in prices for industrial commodities and finished goods than originally projected. There also will be a significant decline in prices of consumer nondurables, although some of this petroleum price weakness will be offset by higher prices for meats than originally projected. Dollar weakness has

generated higher prices for imports, leading to higher prices for domestically produced autos. On the other hand, sharp increases in housing costs early in the year should not persist. An overhang of rental inventories should restrain some price gains into next year.

Miscellaneous - According to our estimates, real GNP declined sharply in May and only gradually rebounded in June. This weakness was partially the result of inventory liquidations, and therefore will be followed by some strength late in 1986. However, some of the weakness was also caused by higher trade deficits than had been anticipated. Although our estimates of trade balances shows a modest decline relative to forecast, this is solely the results of more substantial oil price declines that had been originally projected. In fact, after adjustment for petroleum price movements, the real value of the merchandise trade balance is more negative than originally projected. This is a major factor in generating more substantial weakness into 1987 than previously expected.

FINANCIAL MARKETS

Lower inflation as a result of greater oil price weakness than originally projected and more sluggish economic activity as a result of less response in the trade balances than expected led to reduced interest rate pressures. The Federal Reserve followed this weakness by aggressively moving the discount rate downward and accommodating this lower discount rate with increased reserves. This action apparently was taken as a result of concern that other industrialized nations were not increasing their purchases of American goods.

However, an analysis by sector suggests that interest rates would have been declining anyway once oil inventories again began liquidations. These liquidations reappeared in the middle of June and should continue through the end of July. Some inventory rebuilding may then resurface late in August and early September, leading to some upward interest rate pressures at that time. The Federal Reserve is expected to offset any of these upward pressures by accepting more rapid growth in reserve expansion than originally expected.

Unfortunately, the rapid growth in M1 had prevented the Federal Reserve from following an aggressive monetary policy. It is apparent that M1 growth is in the checkable deposits, where relatively fixed yields are becoming increasingly attractive as short-term interest rates decline. This has led to a dramatic accumulation of checkable deposits for savings purposes. In effect, the most traditional measure of money is not performing as money. Therefore, the Federal Reserve is correct in understating the importance of M1, although it might make a serious error if it also ignores other monetary aggregates.

Equity Markets

Fears about equity sales because of changes in the capital gains rate apparently have accelerated the anticipated second half stock market correction. Those investors holding substantial capital gains and contemplating a rise in the tax rate from 20% to 27% have been unwinding their positions. This unwinding was intensified when rumors circulated suggesting that the effective date for capital gains could be changed from January 1, 1987 to the beginning date for the conference committee on tax reform. Our feeling is that this correction could carry the stock market to the vicinity of 1650. Normally, such a decline would unwind over several quarters, but intensified selling by investors with substantial gains may cause this adjustment to occur before the end of 1986.

Some analysts have maintained that such selling would not have an appreciable impact upon the stock market because these investors would merely buy other issues. In fact, however, they would probably initially move to cash until they decided their next portfolio strategy. If enough people moved to cash at the same time, equity values would fall substantially. Then, program selling would accentuate the price weakness. After having garnered their capital gains at lower tax rates, investors would remain in cash until the correction subsided. This suggests that early in 1987 a significant rebound in stock market values could materialize as this cash becomes redeployed in other equity investments. However, falling equity values for the remainder of 1986 now appears to be likely.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	99496	99296	119.1	117.8	108955	108955	6.7	6.7	167.4	167.3
February	99649	99429	118.5	117.5	108561	108561	7.2	7.3	168.4	168.2
March	99841	99484	118.9	117.4	108788	108788	7.2	7.2	168.8	168.5
April	100029	99783	119.2	117.8	109024	108892	7.1	7.1	169.2	168.4
May	100296	99908	119.5	117.7	109265	109110	7.0	7.3	169.3	168.6
June	100563	99819	119.8	117.5	109512	109673	7.0	7.1	169.5	169.4
July	100778	100189*	120.1	118.0*	109773	109844*	6.9	7.1*	170.2	169.8*
August	100972	100324	120.5	118.2	109975	109996	6.8	7.0	170.8	170.3
September	101065	100506	121.0	118.4	110178	110209	6.7	7.0	171.4	170.9
October	101397	100684	121.2	118.6	110418	110392	6.7	6.9	171.9	171.2
November	101649	100829	121.4	118.7	110753	110555	6.6	6.9	172.5	171.6
December	102015	100966	121.6	118.8	111130	110709	6.5	6.9	173.1	172.1
January 1987	102098	101123	121.8	119.0	111275	110877	6.5	6.9	173.5	172.6
February	102197	101268	121.9	119.2	111356	111031	6.5	6.9	173.9	173.2
March	102295	101406	122.0	119.3	111439	111161	6.4	7.0	174.4	173.7
April	102468	101542	122.2	119.5	111694	111324	6.4	7.0	174.9	174.3
May	102705	101703	122.5	119.6	111918	111495	6.3	7.0	175.4	174.9
June	102921	101887	122.8	119.8	112142	111723	6.3	7.0	176.0	175.5

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	3.387	3.385	2.027	2.027	124.7	122.9	2.882	2.881	2.758	2.758
February	3.401	3.400	2.034	2.034	125.7	124.3	2.896	2.896	2.771	2.771
March	3.407	3.407	2.044	2.045	122.9	130.9	2.904	2.904	2.781	2.773
April	3.432	3.449	2.052	2.048	127.8	157.4	2.926	2.944	2.788	2.786
May	3.429	3.445	2.062	2.051	127.3	125.4	2.921	2.938	2.794	2.812
June	3.435	3.445*	2.073	2.059*	124.0	109.8*	2.928	2.935*	2.805	2.825*
July	3.459	3.464	2.081	2.074	121.9	106.7	2.944	2.951	2.822	2.844
August	3.482	3.483	2.092	2.086	121.7	116.5	2.962	2.966	2.841	2.850
September	3.506	3.501	2.103	2.098	121.7	117.6	2.981	2.981	2.860	2.863
October	3.526	3.518	2.113	2.107	118.7	118.2	2.996	2.995	2.878	2.877
November	3.547	3.531	2.125	2.115	120.7	111.9	3.012	3.005	2.892	2.893
December	3.569	3.550	2.137	2.125	123.0	107.9	3.029	3.020	2.906	2.912
January 1987	3.575	3.563	2.148	2.136	120.7	112.1	3.042	3.036	2.922	2.924
February	3.598	3.583	2.158	2.149	120.6	119.7	3.061	3.058	2.940	2.938
March	3.633	3.600	2.168	2.158	132.4	118.7	3.090	3.072	2.958	2.953
April	3.640	3.621	2.179	2.171	116.6	121.8	3.094	3.090	2.977	2.968
May	3.649	3.638	2.187	2.181	104.8	108.4	3.098	3.088	2.993	2.980
June	3.659	3.662	2.196	2.194	96.7	114.3	3.104	3.109	3.009	2.995

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	2.034	2.034	1.335	1.335	1.899	1.861	356.1	373.4	206.9	337.7
February	1.997	2.001	1.204	1.202	1.803	1.808	360.5	373.9	209.2	338.3
March	1.949	1.960	1.212	1.221	1.846	1.834	367.2	368.0	212.5	331.8
April	1.966	2.039	1.256	1.262	1.833	1.885	368.4	371.6	212.6	331.8
May	1.940	1.888	1.237	1.262	1.792	1.785	370.6	374.7	213.1	331.6
June	1.950	1.844*	1.254	1.234*	1.796	1.745*	372.8	374.3*	213.8	329.5*
July	1.948	1.809	1.270	1.226	1.813	1.723	374.0	372.4	213.7	326.1
August	1.923	1.839	1.281	1.257	1.756	1.667	376.0	368.9	214.1	321.6
September	1.874	1.853	1.268	1.289	1.721	1.652	376.9	369.5	214.0	320.7
October	1.882	1.807	1.260	1.251	1.695	1.664	378.5	369.6	214.3	319.4
November	1.875	1.806	1.258	1.234	1.704	1.551	379.0	369.3	213.9	318.1
December	1.847	1.728	1.235	1.186	1.688	1.526	379.2	368.8	213.3	316.6
January 1987	1.761	1.702	1.172	1.169	1.615	1.483	378.9	364.6	212.5	311.9
February	1.719	1.640	1.146	1.124	1.567	1.480	378.5	363.4	211.7	309.5
March	1.698	1.665	1.141	1.143	1.528	1.496	377.6	360.3	210.5	305.9
April	1.694	1.686	1.129	1.162	1.533	1.495	375.6	359.0	208.8	304.0
May	1.698	1.673	1.122	1.155	1.539	1.513	374.0	359.3	207.2	303.5
June	1.691	1.649	1.127	1.127	1.552	1.521	371.8	361.5	205.4	304.5

	Non-Residential		Public Construction		Residential Construction	
	Fore	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	135.4	142.0	68.1	68.0	152.6	163.4
February	137.8	141.0	66.9	68.3	155.8	164.7
March	138.6	133.3	67.3	69.2	161.3	165.6
April	139.1	133.4	67.6	70.5	161.7	167.8
May	139.6	130.5	68.0	74.4	136.0	169.8
June	140.2	130.7*	68.2	73.7*	164.4	169.9*
July	140.0	129.8	68.5	73.9	165.5	168.7
August	140.3	129.5	68.9	74.2	166.8	165.2
September	139.7	129.7	69.3	74.0	167.9	165.8
October	140.5	129.2	69.8	73.6	168.2	166.8
November	140.9	128.6	70.1	74.1	168.0	166.6
December	141.0	128.2	70.5	74.4	167.7	166.2
January 1987	141.2	127.5	70.7	73.5	167.0	163.6
February	141.3	127.3	70.9	73.8	166.3	162.3
March	141.1	127.0	70.9	74.4	165.6	158.9
April	141.2	126.1	71.2	74.8	163.2	158.1
May	141.4	125.7	71.4	75.2	161.2	158.4
June	141.1	126.2	71.4	75.5	159.3	159.8

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	280.4	280.4	108.46	108.19	24.55	24.29	25.60	25.35
February	279.5	279.2	107.82	107.55	28.91	28.64	26.86	26.56
March	278.7	279.6	105.07	104.68	27.02	26.54	27.82	27.30
April	278.2	279.4	105.09	103.75	27.20	26.18	27.40	27.36
May	279.0	278.4	106.01	103.64	27.63	26.28	27.58	26.64
June	280.3	277.8*	105.84	103.43*	27.85	26.65*	27.76	26.78*
July	281.1	277.5	107.13	104.46	28.46	26.82	27.85	26.93
August	282.2	278.3	106.67	104.79	28.40	26.93	27.97	27.05
September	283.2	279.2	108.23	105.13	28.86	27.11	28.09	27.21
October	284.4	280.1	108.84	104.83	29.16	26.92	28.35	27.15
November	286.3	280.9	109.28	104.74	29.33	26.83	28.63	27.04
December	287.4	282.3	108.89	105.93	29.30	26.97	28.91	27.11
January 1987	288.8	283.4	108.37	106.27	29.21	27.13	29.05	27.20
February	290.3	285.2	109.52	106.35	29.34	27.24	29.11	27.34
March	292.5	286.9	109.76	106.91	29.22	27.39	29.17	27.53
April	294.9	288.1	108.83	106.95	29.12	27.35	29.35	27.68
May	296.2	289.8	108.72	106.53	29.18	27.24	29.48	27.55
June	298.0	290.7	108.85	106.28	29.30	27.11	29.61	27.39

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	585.0	585.0	7.03	7.03	126.6	126.7	80.7	80.8
February	585.1	585.2	7.58	7.58	125.7	125.7	80.0	80.0
March	585.8	587.7	7.27	7.08	125.1	124.9	79.4	79.3
April	587.0	590.2	7.40	7.33	125.5	125.1	79.5	79.3
May	588.1	588.4*	7.49	7.52	125.8	124.3	79.5	78.6
June	589.9	586.9	7.59	7.59*	126.4	124.1	79.7	78.4*
July	591.2	587.3	7.68	7.71	127.2	124.4	80.0	78.5
August	593.5	588.8	7.85	7.84	127.8	124.7	80.2	78.6
September	595.7	590.6	8.05	7.96	128.4	125.0	80.4	78.7
October	598.2	592.2	8.01	7.92	128.6	125.2	80.4	78.7
November	600.3	594.0	8.07	8.03	128.8	125.3	80.4	78.6
December	602.4	596.2	8.18	8.15	129.0	125.5	80.3	78.6
January 1987	605.8	598.5	8.25	8.26	128.9	125.7	80.1	78.6
February	609.9	600.9	8.33	8.32	129.1	126.0	80.1	78.7
March	613.9	603.3	8.40	8.40	129.2	126.2	80.0	78.7
April	617.1	607.2	8.38	8.43	128.8	126.3	79.7	78.6
May	620.8	609.3	8.45	8.49	128.5	126.3	79.4	78.4
June	623.3	611.9	8.52	8.53	128.2	126.2	79.1	78.1

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	329.0	329.0	296.3	296.3	324.0	323.8	113.9	113.9
February	327.7	327.7	291.7	291.7	319.4	319.4	113.8	113.8
March	326.4	326.3	288.6	288.6	314.0	314.0	113.4	113.7
April	325.5	325.4	287.1	286.8	209.6	331.3	113.6	113.8
May	325.9	326.1	287.8	288.5	310.9	311.7	113.9	114.2
June	326.6	327.4*	288.5	288.5*	312.3	311.1*	114.2	114.5
July	327.7	328.0	290.3	288.0	313.4	310.6	114.4	114.8
August	328.8	329.2	291.0	288.2	314.7	311.3	114.7	115.0
September	330.0	330.3	291.7	286.9	331.6	309.2	115.0	115.2
October	331.0	331.4	292.3	289.5	315.8	312.2	115.4	115.6
November	331.9	332.5	293.5	290.3	316.1	313.0	115.8	116.0
December	332.8	333.9	294.5	291.5	316.5	314.6	116.2	116.4
January 1987	334.3	335.0	295.2	292.5	317.0	315.5	116.7	116.8
February	335.9	336.0	295.9	293.1	317.8	316.3	117.1	117.2
March	337.5	337.1	296.6	293.7	318.5	317.0	117.5	117.7
April	338.6	338.2	297.3	294.3	319.4	317.8	117.9	118.1
May	339.7	339.3	298.1	294.9	320.3	318.6	118.3	118.4
June	340.6	340.7	298.9	296.1	321.2	319.3	118.7	118.8

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	113.8	113.8	104.9	104.9	109.8	109.8	119.5	119.6	172.1	110.6
February	113.3	113.4	105.0	105.2	108.1	108.0	119.8	120.0	172.3	110.6
March	112.9	113.0	105.0	104.7	106.8	106.8	120.3	120.3	172.8	110.9
April	112.8	113.0	105.2	105.0	106.1	106.0	120.6	120.8	173.3	112.0
May	113.2	113.3*	105.3	105.3*	106.0	106.2*	121.0	121.2*	173.9	113.0
June	113.7	113.6	105.5	105.5	106.2	106.4	121.4	121.6	174.4	113.6*
July	114.0	113.8	105.6	105.7	106.4	106.5	122.0	122.0	175.0	114.2
August	114.2	114.2	105.7	106.0	106.5	106.6	122.7	122.5	175.6	114.7
September	114.4	114.6	105.8	106.2	106.7	107.0	123.4	123.0	176.1	115.2
October	114.8	115.0	106.1	106.5	107.1	107.3	123.8	123.5	176.6	115.7
November	115.4	115.4	106.4	106.8	107.6	107.6	124.1	124.1	177.2	116.1
December	116.0	115.9	106.7	107.0	108.1	108.0	124.5	124.6	177.8	116.5
January 1987	116.3	116.3	107.0	107.3	108.4	108.3	125.0	125.1	178.3	116.9
February	116.7	116.7	107.3	107.5	108.7	108.6	125.6	125.7	178.8	117.4
March	117.1	117.1	107.6	107.8	109.0	109.0	126.1	126.2	179.4	117.8
April	117.5	117.5	107.9	108.1	108.9	109.2	126.7	126.8	179.9	118.1
May	118.0	117.9	108.2	108.4	109.0	109.3	127.3	127.4	180.5	118.4
June	118.5	118.4	108.5	108.8	109.2	109.6	128.0	128.0	181.0	118.7

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	-14.93	-15.00	174.1	173.4	4116	4115	3614	3613	0.8	1.6
February	-14.21	-11.16	175.4	175.2	4115	4115	3616	3616	13.3	14.8
March	-14.03	-13.06	176.4	176.2	4118	4117	3631	3621	27.9	36.4
April	-12.73	-14.02	177.3	178.5	4127	4128	3633	3627	30.3	34.8
May	-12.52	-14.27p	178.2	178.8	4156	4133	3649	3619	14.2	23.5
June	-12.32	-12.46*	178.4	178.6*	4203	4149	3680	3624	6.2	17.2
July	-11.96	-12.62	178.2	178.2	4221	4171	3690	3633	1.6	15.5
August	-12.06	-12.18	177.5	178.5	4241	4194	3697	3647	-3.5	13.9
September	-12.20	-11.93	178.0	178.9	4262	4219	3706	3662	-8.3	10.4
October	-12.15	-11.76	178.3	178.4	4288	4235	3716	3663	-8.0	7.3
November	-12.03	-11.52	178.7	178.2	4315	4263	3726	3675	-7.2	1.2
December	-11.90	-11.75	178.3	178.5	4342	4288	3737	3684	-6.5	-1.5
January 1987	-11.95	-11.63	177.2	178.9	4363	4307	3739	3688	-8.6	-3.6
February	-11.91	-11.46	177.3	178.8	4385	4328	3745	3693	-10.9	-7.4
March	-11.86	-11.21	176.8	179.3	4406	4347	3750	3693	-12.5	-5.6
April	-11.80	-11.57	176.1	179.1	4424	4374	3752	3704	-12.1	-8.5
May	-11.72	-11.15	175.5	178.8	4440	4384	3753	3703	-11.6	-9.2
June	-11.64	-11.02	175.3	178.5	4455	4400	3753	3704	-11.4	-9.5

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	235.8	235.7	627.2	627.2	2568.5	2569.1	8.14	8.14	7.16	7.16
February	237.8	237.7	631.0	631.1	2576.3	2576.8	7.86	7.86	7.11	7.11
March	239.0	238.7	638.4	638.4	2590.4	2591.3	7.48	7.48	6.57	6.57
April	240.2	239.9	642.3	646.1	2607.4	2621.6	7.07	6.99	6.33	6.08
May	241.2	242.3	645.3	658.6	2622.3	2647.0	7.04	6.85	6.22	6.19
June	242.3	244.2	648.4	666.3	2637.1	2667.3	6.99	6.88*	6.12	6.25*
July	244.2	245.4*	653.3	672.3*	2653.2	2683.0*	6.89	6.45	6.23	5.92
August	245.7	246.6	658.0	676.9	2675.1	2701.1	6.78	6.37	6.35	5.78
September	247.2	247.5	662.7	679.6	2697.0	2717.0	6.95	6.42	6.46	5.89
October	248.8	248.5	664.5	681.6	2710.2	2733.0	7.26	6.29	6.59	5.76
November	250.1	249.7	666.0	684.7	2720.1	2749.1	7.32	6.43	6.68	5.94
December	251.4	251.0	667.6	687.7	2730.0	2762.6	7.38	6.48	6.77	6.03
January 1987	252.6	252.3	672.0	691.3	2749.8	2778.9	7.42	6.53	6.85	6.17
February	253.7	253.6	676.9	695.6	2769.2	2798.1	7.46	6.62	6.83	6.21
March	254.9	254.7	681.8	697.9	2782.6	2814.6	7.50	6.53	6.78	6.08
April	256.3	255.6	682.5	699.3	2796.6	2828.4	7.32	6.57	6.65	6.12
May	257.4	256.6	683.4	703.3	2809.2	2844.3	7.20	6.39	6.59	6.03
June	258.5	258.1	684.2	707.5	2822.1	2861.0	7.11	6.35	6.53	5.92

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	10.05	10.05	8.08	8.08	7.71	7.71	7.82	7.82	9.50	9.50
February	9.67	9.67	7.44	7.44	7.63	7.63	7.69	7.69	9.50	9.50
March	9.00	9.00	7.08	7.08	7.20	7.20	7.24	7.24	9.10	9.10
April	8.74	8.79	7.28	7.20	6.98	6.60	7.06	6.60	8.69	8.83
May	8.89	9.09	7.47	7.54	6.95	6.62	7.02	6.65	8.50	8.50
June	8.75	9.13*	7.31	7.83*	6.98	6.75*	7.05	6.78*	8.50	8.50
July	8.98	8.76	7.59	7.35	6.85	6.47	6.93	6.50	8.50	8.18*
August	9.07	8.53	7.66	7.11	6.80	6.35	6.89	6.42	8.50	8.00
September	9.05	8.56	7.63	7.19	6.96	6.48	7.11	6.53	8.50	8.00
October	9.26	8.43	7.82	7.04	7.33	6.25	7.42	6.32	8.67	8.00
November	9.35	8.51	7.89	7.19	7.38	6.46	7.50	6.53	9.00	8.00
December	9.41	8.55	7.92	7.27	7.45	6.55	7.58	6.62	9.00	8.00
January 1987	9.43	8.72	7.95	7.46	7.48	6.68	7.56	6.75	9.00	8.00
February	9.39	8.83	7.83	7.59	7.52	6.73	7.63	6.84	9.00	8.00
March	9.35	8.72	7.78	7.46	7.46	6.67	7.60	6.76	9.00	8.00
April	9.29	8.75	7.66	7.53	7.25	6.65	7.41	6.73	9.00	8.00
May	9.26	8.56	7.62	7.36	7.16	6.38	7.36	6.49	9.00	8.00
June	9.28	8.42	7.65	7.20	7.07	6.35	7.21	6.46	9.00	8.00

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